

LAKSON EQUITY FUND
Annual Report 2014



LAKSON INVESTMENTS
WE MANAGE YOUR MONEY, AS WE MANAGE OUR OWN

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==== **Vision** ====

To be a top quartile provider of investment solutions to both individuals and institutions. Through the success of our clients and employees we seek to build sustainable and long-term shareholder value, and to be an employer of choice in the asset management industry.



==== **Mission** ====

To deliver superior performance as measured by market share parameters, high-quality service and a portfolio of innovative yet tailored products across a range of investment disciplines and distribution channels.

To provide a fulfilling, stimulating and supportive environment for our employees that fosters their personal growth and facilitates our productivity as a team.

Fund's Information

Management Company

Lakson Investments Limited
Head Office
Lakson Square, Building No.2,
Sarwar Shaheed Road,
Karachi-74200, Pakistan.
Phone: (9221) 3569.8000
Fax: (9221) 3568.1653
Web site: www.li.com.pk
E-mail: info@li.com.pk

Board of Directors of the Management Company

Mr. Iqbal Ali Lakhani - Chairman
Mr. Babar Ali Lakhani - Chief Executive Officer
Mr. A. Aziz H. Ebrahim
Mr. Mahomed J. Jaffer
Mr. Amin Mohammed Lakhani
Mr. Sher Afgan Malik
Mr. Daniel Scott Smaller
Mr. Zahid Zakiuddin

Chief Financial Officer & Company Secretary of the Management Company

Syed Muhammad Zeeshan

Audit Committee

Mr. Zahid Zakiuddin - Chairman
Mr. A. Aziz H. Ebrahim
Mr. Iqbal Ali Lakhani
Mr. Sher Afgan Malik

Human Resource and Remuneration Committee

Mr. Iqbal Ali Lakhani - Chairman
Mr. Babar Ali Lakhani
Mr. Daniel Scott Smaller

Trustee

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block-B, S.M.C.H.S,
Main Shakra-e-Faisal,
Karachi, Pakistan.

Auditors

BDO Ebrahim & Co.
Chartered Accountants
2nd Floor, Block C,
Lakson Square, Building No. 1,
Sarwar Shaheed Road,
Karachi - 74200.

Bankers to the Fund

Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
United Bank Limited

Legal Adviser

Fazleghani Advocates
F-72/I, Block 8, KDA-5,
Kehkashan, Clifton,
Karachi, Pakistan.

Registrar

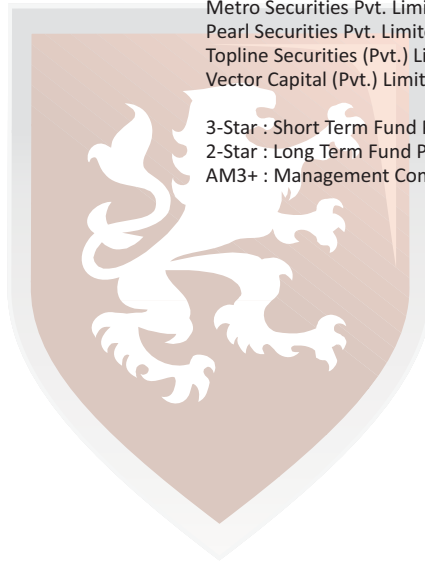
Lakson Investments Limited
Lakson Square, Building No.2,
Sarwar Shaheed Road,
Karachi-74200, Pakistan

Distributors

Adam Securities
Amir Noorani
BMA Financial Services Ltd.
Elixir Securities (Pvt.) Limited
Ismail Iqbal Securities
Metro Securities Pvt. Limited
Pearl Securities Pvt. Limited
Topline Securities (Pvt.) Limited
Vector Capital (Pvt.) Limited

Rating by PACRA

3-Star : Short Term Fund Performance Ranking
2-Star : Long Term Fund Performance Ranking
AM3+ : Management Company Quality Rating



REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2014

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Equity Fund ('LEF'), is pleased to present its annual report together with the audited financial statements for the year ended June 30, 2014.

Fund Objective

The objective of the Fund is to provide long term capital appreciation by investing mainly in equity and related listed securities. Investments will be made in companies of substance, financial strength and demonstrably superior management skills with some exposure given to smaller capitalized value stocks.

Fund Profile

LEF is an actively managed open end equity fund. LEF maintain an average exposure of 70% of Net Assets in listed equity securities. The asset allocation to different sectors and stocks is made on the basis of relative attractiveness of each sector and individual stocks in that particular sector. The allocations may change from time to time keeping in view the market conditions, opportunities, political and economic factors. LEF is allowed to borrow up to 15% of Net Assets to meet redemptions however LEF did not utilize this facility during the period under review.

Funds Performance

The net assets of the LEF as at June 30, 2014 stood at PKR 959.731 million compared to PKR 120.585 million at June 30, 2013 registering a decline of 695.89%.

The net income for the year ended June 30, 2014 was PKR 312.674 million which mainly comprised of capital gains - net amounting to PKR 60.902 million, dividend income amounting to PKR 16.914 million, mark-up from bank deposits and treasury bills amounting to PKR 7.057 million. The net unrealized appreciation mainly due to the valuation of equity securities amounted to PKR 22.238 million.

The detailed fund performance and significant matters relating to the industry are disclosed in the Fund Manager Report which is a part of this Annual Report.

Earning Per Unit (EPU)

EPU is not being disclosed as we feel determination of weighted average units for calculating EPU is not practicable for open end funds.

Income Distribution

The Board of Directors of the Management Company in its meeting held on June 25, 2014, declared an interim payout of PKR 46.2157 per unit (46.2157% of face value of PKR 100/-) amounting to PKR 276.046 million distributed as bonus distribution during the year ended June 30, 2014.

Fund and Asset Manager Rating

The Pakistan Credit Rating Agency Limited ('PACRA') has maintained the asset manager rating of the Management Company at "AM3+". PACRA has improved short-term performance ranking of LEF to "3 - Star" and assigned long-term performance raking "2-Star" to LEF.

Corporate Governance

The Fund is listed on the Lahore Stock Exchange; therefore, the Management Company is required to comply with the requirements of the Code of Corporate Governance for listed companies.

1. The financial statements prepared by the Management Company present fairly the state of affairs of the Fund, the results of its operations, cash flows and movement in unit holders' fund.
2. Proper books of accounts of the Fund have been maintained.

3. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. Relevant International Financial Reporting Standards, as applicable in Pakistan, provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008 ('NBFC Regulations'), directives issued by the Securities & Exchange Commission of Pakistan and requirements of the constitutive documents of the Fund have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. Key financial data as required by the Code of Corporate Governance has been summarized in this Annual Report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges have been fully disclosed in the Financial Statements.
10. The statement as to the value of investments of provident fund is not applicable in the case of the Fund as such expenses are borne by the Management Company.
11. Meetings of the Board of Directors of the Management Company are held at least once in every quarter. During the year under review six meetings were held. Attendance of the Directors in these meetings is as follows:

S.No.	Name	Designation	Meetings		
			Total	Attended	Leave Granted
1	Mr. Iqbal Ali Lakhani	Chairman	6	5	1
2	Mr. Babar Ali Lakhani	Chief Executive	6	6	-
3	Mr. A. Aziz H. Ebrahim	Director	6	5	1
4	Mr. Mahomed J. Jaffer	Director	6	6	-
5	Mr. Amin Mohammed Lakhani	Director	6	2	4
6	Mr. Sher Afgan Malik	Director	6	5	1
7	Mr. Daniel Scott Smaller	Director	6	6	-
8	Mr. Zahid Zakiuddin	Director	6	3	3

12. Meetings of the Audit Committee of the Management Company are held at least once in every quarter. During the year under review four meetings were held. Attendance of the Directors in these meetings is as follows:

S.No.	Name	Designation	Meetings		
			Total	Attended	Leave Granted
1	Mr. Zahid Zakiuddin	Chairman	4	3	1
2	Mr. A. Aziz H. Ebrahim	Member	4	4	-
3	Mr. Iqbal Ali Lakhani	Member	4	4	-
4	Mr. Sher Afgan Malik	Member	4	3	1

13. Four Meetings of the Human Resource and Remuneration Committee of the Management Company were held during the year under review. Attendance of the Directors in these meetings is as follows:

S.No.	Name	Designation	Meetings		
			Total	Attended	Leave Granted
1	Mr. Iqbal Ali Lakhani	Chairman	4	3	1
2	Mr. Babar Ali Lakhani	Member	4	4	-
3	Mr. Daniel Scott Smaller	Member	4	2	2

14. The pattern of unit holding is given in note No. 20.1 of the Financial Statements.

15. During the year under review trades in the Units of the Fund were carried out by the Directors, the Chief Executive Officer, the Executives and including their spouses and minor children are as under:

S.No.	Name	Designation	Investment	Redemption	Bonus
			(Number of Units)		
1	Mr. Daniel Scott Smaller	Director	2,643	-	2,718

External Auditor

The existing auditors M/s. BDO Ebrahim & Co., Chartered Accountants have completed five years with the Fund. The Code of Corporate Governance stipulates that all listed companies in the financial sector shall change their external auditors every five years, therefore, to continue the trend of adopting the best industry practices, the Board of Directors, on the recommendations of the Audit Committee, to changed the auditors of the Fund and appoint M/s. KPMG Taseer Hadi & Co., Chartered Accountants as fund's auditors for the year ending June 30, 2015.

Economic Review

With a smooth transition of power from one democratically elected government to other last year, the business sentiment in Pakistan soared sharply along with improved economic growth. Pakistan succeeded in attaining 4.1% growth in its GDP during FY14, the highest level achieved since FY09. The economy took a turnaround on account of following serious economic agenda pursued by the new government. Positive results were evident during the year, particularly stabilizing foreign exchange reserves, appreciation of exchange rate, and stability in prices despite heavy adjustments. Pakistan's Per Capita Income recorded a growth of 3.4% in FY14 compared to 1.4% growth in FY13. In USD terms, it increased to USD 1,340 in FY14 from USD 1,368 in FY13.

The government targeted a GDP growth of 4.4% for FY14 on the back of 3.7% growth in Agriculture, 4.8% growth in Industrial sector and 4.5% in Services sector. However, the target was slightly missed, while attaining a growth of 4.1% in FY14 against the growth of 3.7% last year. The growth momentum was broad based, as all the three major sectors namely agriculture, industry and services provided

support to improve economic growth. The Agricultural sector grew at a rate of 2.1%, while Industrial and Services sector grew by 5.8% and 4.3% respectively. Interestingly, some improvement was witnessed in the Large Scale Manufacturing ("LSM") sector, which registered a growth of 5.3% in FY14, compared to 4.0% in the previous year. The major LSM industries which recorded a notable growth included Fertilizers, Paper & Board, Food, Beverages and Tobacco. The aggregate demand analysis of the economy revealed that impetus to the economic growth was again provided by consumption expenditure, as it accounted for 92.5% of the GDP. On the flip side, the share of investment in GDP stood at a dismal 14.0%, compared to the levels of 19.2% seen during FY08.

While the external account remained under pressure during most of the year, it gradually improved as Pakistan entered an agreement with the International Monetary Fund ("IMF") for a bailout program of USD 6.64 billion. The Executive Board of the IMF approved a 3-year arrangement under the Extended Fund Facility ("EFF") for Pakistan in an amount totaling USD 6.64 billion, to support the country's economic reform program to promote growth. Alongside, Pakistan successfully raised USD 2 billion from global capital markets through the issue of five- and 10-year Eurobonds during the month. Furthermore, the government of Pakistan also raised USD 1.1 billion after they auctioned the much-awaited 3G and 4G licenses to different telecom companies in the country. Resultantly, the external position improved considerably as increase in capital flows substantially offset a gradual widening of the current account deficit during the financial year. The current account posted a deficit of USD 2.92 billion during the year, compared to a deficit of USD 2.50 billion last year. The deterioration in current account was primarily attributable to a widening trade deficit, as it increased by 7.5% YoY to USD 16.5 billion. However, remittances played a pivotal role in providing respite to the current account, recording a commendable growth of 13.7% to fetch USD 15.8 billion during the year. The foreign exchange reserves of the country increased by USD 3.12 billion during the year to USD 14.1 billion. While, PKR appreciated by 0.9% against the greenback during the FY14 to close at 98.8.

Whilst the official figures for FY14 fiscal deficit are not public as yet, the government expects fiscal deficit to clock in at 5.7% of the GDP, against the budgeted target of 5.8%. The fiscal deficit has been confined primarily due to controlled expenditures coupled with foreign inflows of USD 1.5 billion of Saudi grant. However, the tax machinery remained ineffective as the Federal Board of Revenue (FBR) failed to achieve the revised revenue collection target during the year. The government had set revenue collection target at PKR 2,475 billion for the fiscal year, which was later slashed to PKR 2,275 billion owing to the poor performance of the tax department. The tax collection for FY14 stood at PKR 2,266 billion (+16.0%), missing the twice-revised target by PKR 9 billion. Consequently, the tax to GDP ratio remained dismal at 9.4% in FY14, which continues to remain one of the lowest in the region.

The average CPI inflation for FY14 stood at 8.6% vis-à-vis 7.4% in FY13; an increase of 120 bps. The increase in inflation was fueled by higher GST charges coupled with increase in prices of perishable food items during the first half of the fiscal year. However, the bugbear of food inflation was moderated during the second half as the government largely tackled the food price issue by resolving the transportation issues and reigning in the urea price. On the flip side, core inflation, as measured by non-food non-energy CPI ("Core NFNE"), averaged 8.3% during the year, compared to 9.6% witnessed during the last year.

In line with the accelerating inflation, the State Bank of Pakistan ("SBP") increased the benchmark discount rate by 100 bps to 10.00% during FY14, breaking a 33-month long streak of monetary easing cycle. The SBP cited increased inflationary pressures coupled with fragile external flows as key reasons behind the hike in discount rate.

Mutual Funds Industry Review

The assets under management of the mutual funds industry increased by 6.9% during FY14 compared to a growth of 10.5% in the deposits of commercial banks and a growth of 12.5% in the money supply. The assets under management of the industry stood at PKR 385 billion at the end of the fiscal year compared to PKR 360 billion at the close of June 2013.

The assets under management in the Money Market category declined by 7.26% while Income funds'

AUMs increased by 20.0% during the period. With inflation cooling off and foreign exchange reserves posting an impressive recovery, investors have preferred long-dated government bonds to maximize the potential gains from monetary easing expected in FY15. The highest growth of 15.43% (PKR 17.5 billion) was witnessed in the equity funds as the stock market performed well during FY14 with the KSE-100 Index posting a substantial return of 41%, adding to the 52% returns already witnessed during FY13. In the Finance Act FY15, the government has imposed a tax on bonus issue in addition to increase in the capital gains tax, albeit with a lower percentage and higher holding period than it initially planned, and the increased tax on cash dividends for various institutional investor categories, which is expected to keep the industry AUMs under check in FY15.

Future Outlook

Pakistan's economic climate continued to remain upbeat. With overall economic activity picking up due to improved energy supplies, lower subsidies, tightly controlled fiscals, marked improvement in the PKR followed by soft CPI outlook, re-profiling of the government debt to longer-term basis, rising private sector credit off-take and improved external account given back-to-back inflows, overall macros of the country are seemingly heading in the right direction. This has been in addition to the successful resumption of the privatization process with smooth execution of the capital market transactions of UBL and PPL. This was preceded by flows received under Eurobond issue and 3G auction. The result was evidently reflected in country's FDI and foreign exchange reserves. Likewise, portfolio investment flows also remained strong as foreign interest was visible in the privatization transactions. This also reflected positively on Pakistan's rating, as Moody's revised its outlook from 'Negative' to 'Stable'. The conviction was backed by modest current account deficit, improved foreign flows in the form of bilateral and multilateral flows, privatization and bond transactions alongside controlled fiscal expenditures to keep fiscal deficit under 6% of GDP in FY14.

Though sustainability of improving macros is yet to be validated, revival of foreign investor's confidence in the reforms agenda of the present government has provided much-needed support to the macros. However, the government is still working to resolve the country's chronic energy crisis, which remains persistent despite steps to reduce subsidies and increase tariffs. The government is targeting to improve recoveries of energy sector dues and remains committed towards resolving the problem through medium term measures such as induction of cheaper generation alternates like coal. Accumulation of foreign reserves and managing inflation will remain the primary challenges, having direct implication on country's currency and interest rate outlook. Meanwhile, recent political turmoil, if continued, would have its bearing on investor confidence.

Acknowledgment

The Board is thankful to its valued investors, the Securities & Exchange Commission of Pakistan, the State Bank of Pakistan, the Trustee of the Fund - Central Depository Company of Pakistan Limited and the management of the Lahore Stock Exchange Limited for their continued cooperation and support. The Directors of the Management Company also acknowledge the efforts put in by the team of the Management Company for the growth and the prudent management of the Fund.

For and on behalf of the Board

Dated: August 18, 2014

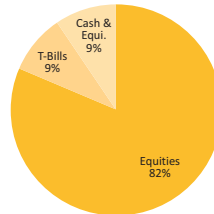
Babar Ali Lakhani
Chief Executive Officer

**REPORT OF THE FUND MANAGER
FOR THE YEAR ENDED JUNE 30, 2014**

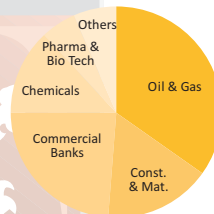
Fund Facts

Fund Type	Open-End
Category	Equity Fund
Net Assets (PKR Mil.)	960
NAV (30.06.2014)	105,4434
Pricing Mechanism	Forward Day
Trustee	CDC Pakistan Limited
Auditor	BDO Ebrahim & Co.
Management Fee	3.00%
Front End Load	3.00%
Back End Load	None
Launch Date	November 13, 2009
Benchmark	KSE-30 Index
Dealing Days	Mon-Fri
Cut-Off Time	04:00 PM
Performance Ranking	3-Star Short Term 2-Star Long Term
Asset Manager Rating	AM3+

Asset Allocation



Sectorwise Exposure



Fund Performance	LEF	KSE-30	KSE-100
FY14 - YTD	32.15%	25.96%	41.16%
June-14	-0.56%	0.31%	-0.29%
2 Months	1.84%	1.32%	2.56%
3 Months	5.29%	6.49%	9.18%
6 Months	22.81%	17.49%	30.19%
12 Months	32.15%	25.96%	41.16%
CY14 - YTD	10.40%	8.54%	17.38%

Investment Committee

Babar Ali Lakhani	Chairman
Syed Muhammad Zeeshan	
Khurram Schehzad	
Mustafa O. Pasha, CFA	
Saifullah Kazmi	
Farhan Bashir	
Syed Imran Raza Kazmi	
Maryam Hidayatullah	

Investment Objective

The investment objective of the Lakson Equity Fund ("LEF") is to provide long term capital appreciation by investing mainly in equity and related listed securities. Investments will be made in companies of substance, financial strength and demonstrably superior management skills with some exposure given to smaller capitalized value stocks.

The LEF achieved its investment objective by building a diverse portfolio comprising of fundamentally strong stocks that offered high growth potential in the form of capital appreciation and/or high dividend yields. The LEF did not take exposure in any speculative stocks and only stocks with the potential to perform in the present, challenging economic environment were selected.

Investment Strategy

The LEF invests in fundamentally sound stocks based on the recommendations of its team of equity analysts and market dynamics. The asset allocation to different sectors and different stocks in the same sector remained dynamic, keeping in view the market conditions, opportunities and the relative attractiveness of each sector and individual stocks. The asset allocation pattern of the LEF changed from time to time keeping in view the market conditions, opportunities, political and economic factors. The LEF aims to build a diverse portfolio ranging across companies deemed the most attractive among peers. Companies with high earnings potential despite a weak economic outlook were sought, resulting in a portfolio that was heavily invested with stocks offering high dividend yields and lower price to earnings multiples relative to the market. The LEF adopted a combination of top-down and bottom-up methodologies to invest in fundamentally sound stocks.

Market Review

The KSE100 index posted a return of 41% in FY14, adding to the 52% gain in FY13. A host of positive developments on macroeconomic and political fronts have made this gain possible. Despite tightening of monetary policy initiated in 1HFY14, equity investors have grown optimistic following the orderly transition of political and military leadership combined with the approval of the IMF program and major inflow of foreign exchange which prevented a balance of payments crisis for the country. Lower-than-expected inflation and robust growth in reserves fostered expectations of an interest rate cut in the future, which has also contributed towards investors' optimism. In FY14, the KSE 100 Index has posted a USD-based return of 42%, outperforming the MSCI Frontier Markets index by 11 percentage points. In April 2014, Pakistan's weight in the MSCI Frontier Markets Index almost doubled due to UAE and Qatar being upgraded to "emerging market" status. The change in the MSCI weight has increased Pakistan's visibility amongst foreign investors, as indicated by the USD 262 million net inflow of foreign investment in the local equity market, which topped up the USD 553 million net inflows witnessed in FY13.

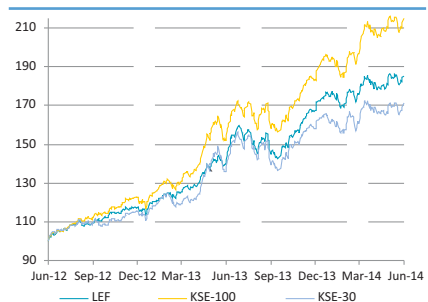
Mutual funds emerged as the heaviest net sellers of local equities, offloading USD 154 million (net) during the year. Banks/DFIs were net buyers to the tune of USD 88 million during the year while individuals and companies sold USD 27 million and USD 60 million worth of stocks respectively. Average daily traded volume increased by 8% YoY in 9MFY14 to 214 million shares as compared to 198 million shares last year. Average daily traded value rose 52% YoY to PKR 8.69 billion versus PKR 5.72 billion in FY13. Secondary market offerings for both UBL and PPL were completed in June 2014, with a cumulative equivalent of USD 542 million raised through both transactions. The UBL offloading of 19.8% shareholding of the government of Pakistan was done at an 8% discount to the market price, with 30% oversubscription. Although there was healthy local participation, foreign funds picked up almost 80% of the shares. PPL's transaction generated more demand than expected, with investors putting in more than double the government's offering of 70 million shares. As a result, the strike price came in higher than the market close, a first in Pakistan's privatization history. Of the major listed sectors, the consumer stocks outshone the market, with some stocks posting triple-digit gains. They were closely followed by commercial banks and selected oil and gas stocks which benefitted from new discoveries of gas/oil fields and higher volumetric sales. The cement sector also outperformed this year driven by increased interest from foreign investors, higher profit margins and expectations of higher volumetric sales as the government embarks on the construction of major dams. Textiles outperformed the market during 1HFY14, but lagged in 2HFY14 due to weak yarn prices and rapid appreciation of the PKR, which compounded the problems created by low energy supplies to the sector. The chemicals sector lagged the market as well, due to downward pressure on profit margins after the increase in GIDC and bleak international dynamics. The IPO market has remained active and vibrant; in FY14 3 new offerings have been brought to market, which were well received by investors.

Fund Performance

The LEF provided a return of 32.15% during FY14 compared to 25.96% appreciation in the KSE-30 Index and 41.2% appreciation in the KSE-100 Index. The LEF outperformed the KSE-30 Index by 6.19% and underperformed the KSE-100 Index by 9.1%. The Standard Deviation of the monthly returns of the LEF was 10.9% for FY14 compared to 4.7% for the KSE-30 Index and 4.7% for the KSE-100 Index. As of June 30, 2014 the LEF had 81% exposure in the equities. The equity markets oscillated during FY14 due to adverse political situation in some parts of the country, continued energy crisis and deteriorating global socio economic issues. On the other hand, Pakistan was successful in increasing its FX reserve, improving PKR-USD parity, creating investor confidence through improved sovereign rating, better positioning in the MSCI markets and reducing inflation.

Performance Table	FY14	FY13
Net Assets - Beginning (PKR Mil.)	121	146
Net Assets - Ending (PKR Mil.)	960	121
Highest Offer Price (PKR)	157.9072	150.1842
Lowest Offer Price (PKR)	107.1618	106.4191
Highest Redemption Price (PKR)	153.3079	145.8099
Lowest Redemption Price (PKR)	104.0405	103.3195
Beginning NAV - Ex-Div. (PKR)	115.1534	101.0316
Interim Distributions (PKR)	46.2157	-
Final Distribution (PKR)	-	26.3075
Ending NAV - Ex-Div. (PKR)	104.2886	115.1534
Return	32.15%	40.02%
Net Income / (Loss) (PKR Mil.)	312.00	34.00
Distributions	FY14	FY13
Interim Distribution	46.2157	-
Final Distribution	-	26.3075
NAV before Distribution	150.5043	141.4609
NAV after Distribution	104.2886	115.1534
Distribution Date	24-Jun-14	08-Jul-13

LEF vs. Benchmark



Future Outlook

Provided political stability and policy implementation for economic reforms continue unabated, going forward, we see the KSE-100 Index reaching 35,000 points level by Jun'15 where market re-rating triggers can include: 1) gradual weight increase to 8.7% in the MSCI FM Index, 2) re-initiation of monetary easing, and 3) gradual but sustainable improvement in the law & order. In this regard, we have a bullish stance on cyclical sectors such as Autos and Fertilizers as well as economic recovery-sensitive sectors such as Cements (few select ones), Oil & Gas and Banks.

Circumstances Materially Affecting Interests of Unit Holders

PACRA maintained the Asset manager Rating of Lakson Investments at 'AM3+' during FY14.

As of June 30, 2014 judgment of the Sind High Court is awaited on the petition regarding exemption of the mutual funds from the WWF. The Unit Holders of the LEF will have a downside protection in case the judgment comes against the mutual funds industry as the LEF is one of the funds already providing for this liability. As of June 30, 2014 the LEF has maintained provisions against Workers' Welfare Fund's liability to the tune of PKR 7.87 million. If the same were not made the NAV per unit of the LEF would be higher by PKR 0.8642. If the LEF would not have made the WWF provisions during FY14, the YTD return of the LEF would be higher by 0.89%.

In the Federal Budget for FY14 the government had imposed 16% Federal Excise Duty ("FED") on asset management services. The management Company is currently charging FED to the management fee applicable to the fund.

In the Sindh Provincial Budget for FY15 the government has proposed a reduction in the standard rate of sales tax applicable on asset management services from 16% to 15%. This reduced rate of tax will come into effect on 1st July, 2014.

Furthermore in the Federal budget for FY15 material changes have been proposed to the:

Taxation on bonus units

Rate of Capital Gains Tax (CGT)

Taxation on cash dividends

Unit holders are encouraged to contact our helpline for details and clarification on the above.

Other Disclosures

Lakson Investments Limited or any of its delegates did not receive any soft commission from its broker(s) or dealer(s).

There was no unit split undertaken during the year.

As of June 30, 2014 the LEF does not employ leverage.

Breakdown of Unit Holding by Size

Units Range	No. of Clients	Units Held
1 - 100	1	96
101 - 500	2	345
5,001 - 10,000	3	19,257
50,001 - 100,000	2	155,240
100,001 - 500,000	1	289,515
500,001 - 1,000,000	2	1,498,095
1,000,001 - 5,000,000	2	7,139,303
	13	9,101,853

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office
CDC House, 99-B, Block 'B'
S.M.C.H.S, Main Shahr-e-Faisal
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com




TRUSTEE REPORT TO THE UNIT HOLDERS

LAKSON EQUITY FUND

**Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of
the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We Central Depository Company of Pakistan Limited, being the Trustee of Lakson Equity Fund (the Fund) are of the opinion that Lakson Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2014 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.


Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: October 23, 2014

**STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2014**

This statement is being presented to comply with the Code of Corporate Governance ('the Code') contained in Listing Regulations of Lahore Stock Exchange where Lakson Equity Fund ('the Fund') is listed. The purpose of the Code is to establish a framework of good governance, whereby a listed entity is managed in compliance with the best practices of corporate governance.

Lakson Investments Limited ('Management Company'), an un-listed public company, which manages the affairs of the Fund, has applied principles contained in the Code in the following manner.

- The Management Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	<ol style="list-style-type: none"> Mr. Mahomed J. Jaffer Mr. Daniel Scott Smaller Mr. Zahid Zakiuddin
Executive Director	<ol style="list-style-type: none"> Mr. Babar Ali Lakhani
Non-Executive Directors	<ol style="list-style-type: none"> Mr. Iqbal Ali Lakhani - Chairman Mr. A. Aziz H. Ebrahim Mr. Amin Mohammed Lakhani Mr. Sher Afgan Malik

The Independent Directors meets the criteria of independence under clause i(b) of the Code.

- The Directors of the Management Company have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company.
- All the resident Directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- During the period no casual vacancy occurred on the Board of the Management Company.
- The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
- The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer ('CEO'), other Executive and Non-Executive Directors, have been taken by the Board. Further their remunerations are being borne by the Management Company.

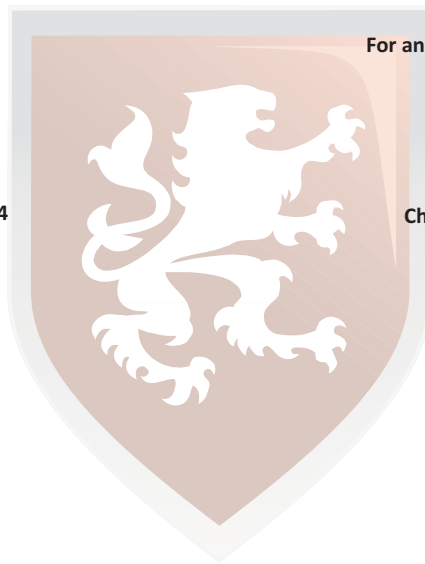
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the Directors of their duties and responsibilities and for their orientation purpose they were informed about the recent developments / changes in applicable laws and regulations affecting the mutual fund industry. The Directors are conversant of the relevant laws applicable to the Management Company, its policies and provisions of memorandum and articles of association and are aware of their duties and responsibilities. One of Director has completed all parts of the program offered by the Pakistan Institute of Corporate Governance and duly certified. Further, based on the criteria stipulated in the Code, four Directors on the Board are exempt from the requirement to have certification under a directors' training program offered by any local or foreign institutions that meet the criteria specified by the Securities & Exchange Commission of Pakistan. The Management Company, however, intends to complete the said requirement in full within the time specified in the Code.
10. The new appointment of Chief Financial Officer and Company Secretary was made during the year and is duly approved by the Board of Directors including his terms of employment. The Company has designated one of its employees as 'Coordinator/Head of Internal Audit' to act as coordinator between the firm providing internal audit services and the Audit Committee.
11. The Directors' Report of the Fund for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The Directors, Chief Executive Officer and Executives do not hold any interest in the units of the Fund other than those disclosed in the Annual Report.
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code with respect to the Fund.
15. The Board has formed an Audit Committee. It comprises of four members, all of whom are Non-Executive Directors of the Management Company and the Chairman of the Committee is an Independent Director.
16. The meetings of the Audit Committee were held at least once every quarter and prior to approval of interim and final results of the Fund. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board of the Management Company has formed a Human Resource and Remuneration Committee. It comprises of three members, of whom two are Non-Executive Directors and the Chairman of the Committee is a Non-Executive Director.
18. The Board has outsourced the internal audit function to M/s. Anjum Asim Shahid Rahman, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan ('ICAP'), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'Closed Period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Fund's securities, was determined and intimated to directors, employees and stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other applicable material principles enshrined in the Code have been complied with.

For and on behalf of the Board

Dated: August 18, 2014

Babar Ali Lakhani
Chief Executive Officer





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Lakson Square, Building No.1
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Pakistan

REVIEW REPORT TO THE UNIT HOLDERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Lakson Investments Limited, the Management Company of **LAKSON EQUITY FUND** ("the Fund") for the year ended June 30, 2014 to comply with the requirements of Listing Regulation No XI of the Lahore Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Management Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended June 30, 2014.

KARACHI

DATED: AUGUST 18, 2014


CHARTERED ACCOUNTANTS

Engagement partner: Zulfikar Ali Causer

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of Lakson Equity Fund ("the Fund"), which comprise of the statement of assets and liabilities as at June 30, 2014 and the income statement, statement of comprehensive income, distribution statement, cash flow statement and statement of movement in unit holders' fund for the year then ended and summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company ("Lakson Investments Limited") of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, either due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2014 and of its financial performance, cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

KARACHI

DATED: 18 AUG 2014


CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

**Statement of Assets and Liabilities
As at June 30, 2014**

	Note	2014 (Rupees)	2013
ASSETS			
Bank balances	5	130,138,359	27,080,634
Investments	6	881,315,654	92,817,993
Dividend and other receivables	7	2,347,545	185,852
Advances, security deposit and prepayments	8	7,775,000	2,650,000
Deferred formation cost	9	100,601	370,601
Receivable against sale of investments		-	341,737
TOTAL ASSETS		1,021,677,159	123,446,817
LIABILITIES			
Payable to the Management Company	10	5,000,138	456,428
Payable to the Trustee	11	163,159	59,418
Annual fee payable to Securities and Exchange Commission of Pakistan	12	414,595	161,284
Payable against purchase of investments		47,753,137	-
Payable against redemption of units		-	489,588
Accrued expenses and other liabilities	13	8,615,017	1,694,601
TOTAL LIABILITIES		61,946,046	2,861,319
NET ASSETS		959,731,113	120,585,498
UNIT HOLDERS' FUND (as per statement of movement in Unit holders' Fund)		959,731,113	120,585,498
CONTINGENCIES AND COMMITMENTS			
	14		
		(Number of units)	
Number of units in issue	15	9,101,853	852,430
		(Rupees)	
Net assets value per unit		105.4434	141.4609

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For Lakson Investments Limited
(Management Company)**

Chief Executive Officer

Director

Income Statement

For the year ended June 30, 2014

	Note	2014 (Rupees)	2013
INCOME			
Income from Government securities		3,793,403	310,021
Capital gain on sale of investments - net		60,901,896	43,149,592
Dividend income		16,914,170	10,143,050
Mark-up income		3,263,626	2,189,441
		84,873,095	55,792,104
Unrealised appreciation in the fair value of investments classified as 'held for trading' - net		22,237,691	11,736,933
		107,110,786	67,529,037
EXPENSES			
Remuneration to the Management Company	10.1	13,092,469	5,093,204
Sales tax on remuneration to the Management Company		2,429,962	817,754
Federal excise duty on remuneration to the Management Company		2,094,795	17,762
Remuneration to the Trustee	11.1	1,113,043	700,000
Annual fee to Securities and Exchange Commission of Pakistan	12	414,595	161,284
Brokerage, settlement and bank charges		2,436,275	997,755
Amortization of deferred formation cost	9.1	270,000	270,000
Auditors' remuneration		259,430	275,250
Fees and subscription		130,000	120,000
Printing charges		19,120	61,350
Workers' Welfare Fund	13.1	6,381,110	693,922
		28,640,800	9,208,281
Net income from operating activities		78,469,986	58,320,756
Element of income / (loss) and capital gains / (losses) included in the prices of units sold less those of units redeemed - net		234,204,399	(24,318,602)
Net income for the year		312,674,385	34,002,154

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For Lakson Investments Limited
(Management Company)**

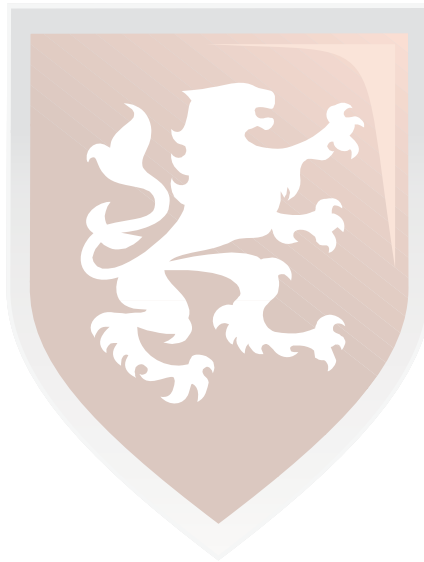
Chief Executive Officer

Director

**Statement of Comprehensive Income
For the year ended June 30, 2014**

	2014	2013
	(Rupees)	
Net income for the year	312,674,385	34,002,154
Other comprehensive income	-	-
Total comprehensive income for the year	<u><u>312,674,385</u></u>	<u><u>34,002,154</u></u>

The annexed notes from 1 to 22 form an integral part of these financial statements.



**For Lakson Investments Limited
(Management Company)**

Chief Executive Officer

Director

**Distribution Statement
For the year ended June 30, 2014**

	2014	2013
	(Rupees)	
Undistributed income at the beginning of the year - realised	23,605,585	15,210,747
Undistributed income at the beginning of the year - unrealised	11,736,933	579,786
Undistributed income at the beginning of the year	<u>35,342,518</u>	<u>15,790,533</u>
Less: Final distribution as issue of bonus units at the rate of Rs. 26.3075 (2013: Rs 11.1215) per unit approved on July 8, 2013 (2013: July 4, 2012)	(22,425,296)	(14,450,169)
	<u>12,917,222</u>	1,340,364
Total comprehensive income for the year	<u>312,674,385</u>	34,002,154
Interim distribution during the year - Issue of bonus units	(276,045,748)	-
	<u>36,628,637</u>	34,002,154
Undistributed income at the end of the year	<u>49,545,859</u>	<u>35,342,518</u>
Undistributed income at the end of the year - realised	27,308,168	23,605,585
Undistributed income at the end of the year - unrealised	22,237,691	11,736,933
Undistributed income at the end of the year	<u>49,545,859</u>	<u>35,342,518</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For Lakson Investments Limited
(Management Company)**

Chief Executive Officer

Director

**Statement of Movement In Unit Holders' Fund
For the year ended June 30, 2014**

	2014	2013
	(Rupees)	
Net assets at the beginning of the year	120,585,498	145,720,572
Cash received on issue of 6,391,713 (2013: 226,508) units	904,614,467	26,823,247
Cash paid on redemption of 983,974 (2013: 816,404) units	(143,938,838)	(110,279,077)
	760,675,629	(83,455,830)
Element of (income) / loss and capital (gain) / loss included in prices of units issued less those of units redeemed - net	(234,204,399)	24,318,602
Less: Final distribution as issue of bonus units at the rate of Rs. 26.3075 (2013: Rs 11.1215) per unit approved on July 08, 2013 (2013: July 04, 2012)	(22,425,296)	(14,450,169)
Issue of 194,743 (2013: 143,026) bonus units as final distribution	22,425,296	14,450,169
Total comprehensive income for the year	312,674,385	34,002,154
Interim distribution during the year		
Cash distribution	-	-
Issue of bonus units	(276,045,748)	-
	36,628,637	34,002,154
Issue of 2,646,941 (2013: nil) bonus units as Interim distribution	276,045,748	-
Net assets at the end of the year	959,731,113	120,585,498
Net assets value per unit at the beginning of the year	141.4609	112.1531
Net assets value per unit at the end of the year	105.4434	141.4609

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For Lakson Investments Limited
(Management Company)**

Chief Executive Officer

Director

Statement of Cash Flow
For the year ended June 30, 2014

	2014	2013
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	312,674,385	34,002,154
Adjustments for non-cash charges and other items:		
Capital gain on sale of investments - net	(60,901,896)	(43,149,592)
Unrealised appreciation in the fair value of investments classified as 'held for trading' - net	(22,237,691)	(11,736,933)
Amortisation of deferred formation cost	270,000	270,000
Element of (income) / loss and capital (gain) / loss in prices of units sold less those of units redeemed - net	(234,204,399)	24,318,602
	(4,399,601)	3,704,231
Decrease / (increase) in assets		
Investments - net	(705,358,074)	73,679,682
Dividend and other receivables	(2,161,693)	161,222
Security deposits and prepayments	(5,125,000)	-
Receivable against sale of investments	341,737	(341,737)
	(712,303,030)	73,499,167
Increase / (decrease) in liabilities		
Payable to the Management Company	4,543,710	41,391
Payable to the Trustee	103,741	738
Annual fee payable to Securities and Exchange Commission of Pakistan	253,311	24,568
Payable against purchase of investments	47,753,137	(1,869,014)
Payable against redemption of units	(489,588)	489,588
Accrued expenses and other liabilities	6,920,416	665,706
	59,084,727	(647,023)
Net cash (used in) / generated from operating activities	(657,617,904)	76,556,375
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from issuance of units	904,614,467	26,823,247
Cash paid on redemption of units	(143,938,838)	(110,279,077)
Net cash used in financing activities	760,675,629	(83,455,830)
Net increase / (decrease) in cash and cash equivalents	103,057,725	(6,899,455)
Cash and cash equivalents at the beginning of the year	27,080,634	33,980,089
Cash and cash equivalents at the end of the year	130,138,359	27,080,634

The annexed notes from 1 to 22 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Director

Notes to and forming part of the Financial Statements For the year ended June 30, 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

Lakson Equity Fund ("the Fund") was established under Trust Deed executed on September 2, 2009 between Lakson Investments Limited as its Management Company and Central Depository Company of Pakistan Limited (CDC) as its Trustee. The Fund has been registered as a notified entity on September 18, 2009 by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The Management Company of the Fund has been licensed by SECP as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Management Company is located at 14 - Ali Block, New Garden Town, Lahore.

The Fund is an open end mutual fund and is listed on Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. The units can also be redeemed by surrendering them to the Fund.

The Fund primarily invests in listed equity securities and other avenues of investment, which include cash or near cash instruments, cash in bank accounts (excluding TDRs) and treasury bills not exceeding 90 days maturity and any other investment authorised by SECP.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as a Trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, requirements of Trust Deed, requirements of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

In case, the requirements differ, the provisions and directive of Companies Ordinance, 1984, the requirements of Trust deed, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, and Non-Banking Finance Companies and Notified Entities Regulations, 2008 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that investments are stated at fair values.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

2.3 Functional and presentation currency

These financial statements have been prepared in Pakistani Rupees, which is presentation and functional currency of the Fund.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

Classification and valuation of investments

For details please refer note 4.2 and note 19 to these financial statements.

Element of income / (loss) and capital gains / (losses) included in the prices of units sold less those in units redeemed - net

For details please refer note 4.10 to these financial statements.

Provision for taxation

For details please refer note 4.11 and note 16 to these financial statements.

Workers' Welfare Fund

For details please refer note 13.1 to these financial statements.

Other assets

Judgment is involved in assessing the realisability of other assets balances.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Standards or interpretations that are effective in current year but not relevant to the Fund

The Fund has adopted the following accounting standards and interpretations which became effective during the year:

		Effective date (annual periods beginning on or after)
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Arrangements	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13	Fair Value Measurement	January 01, 2013
IAS 27	Separate Financial Statements	January 01, 2013
IAS 28	Investments in Associates and Joint Ventures	January 01, 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

3.2 Amendments that are effective in current year but not relevant to the Fund

The Fund has adopted the amendments to the following accounting standards which became effective during the year:

		Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments for government loan with a below-market rate of interest when transitioning to IFRSs and amendments resulting from Annual Improvements 2009-2011 Cycle (repeat application, borrowing costs)	January 01, 2013
IFRS 7	Financial Instruments Disclosures - Amendments related to the offsetting of assets and liabilities	January 01, 2013
IFRS 10	Consolidated Financial Statements - Amendments to transitional guidance	January 01, 2013
IFRS 11	Joint Arrangements - Amendments to transitional guidance	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities - Amendments to transitional guidance	January 01, 2013
IAS 1	Presentation of Financial Statements - Amendments resulting from Annual Improvements 2009-2011 Cycle (comparative information)	January 01, 2013
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2009-2011 Cycle (servicing equipment)	January 01, 2013
IAS 19	Employee Benefits - Amended standard resulting from the post-employment benefits and termination benefits projects	January 01, 2013
IAS 32	Financial Instruments: Presentation - Amendments resulting from Annual Improvements 2009-2011 Cycle (tax effect of equity distributions)	January 01, 2013
IAS 34	Interim Financial Reporting - Amendments resulting from Annual Improvements 2009-2011 Cycle (interim reporting of segment assets)	January 01, 2013

3.3 Amendments not yet effective

The following amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

		Effective date (annual periods beginning on or after)
IFRS 2	Share-based Payment - Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of 'vesting condition')	July 01, 2014
IFRS 3	Business Combinations - Amendments resulting from Annual Improvements 2010-2012 Cycle (accounting for contingent consideration) and 2011-2013 Cycle (scope exception for joint ventures)	July 01, 2014
IFRS 7	Financial Instruments: Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	January 01, 2018
IFRS 8	Operating Segments - Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)	July 01, 2014
IFRS 9	Financial Instruments - Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	January 01, 2018
IFRS 9	Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements	January 01, 2018
IFRS 9	Financial Instruments - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2018
IFRS 10	Consolidated Financial Statements - Amendments for investment entities	January 01, 2014
IFRS 12	Disclosure of Interests in Other Entities - Amendments for investment entities	January 01, 2014
IFRS 13	Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)	July 01, 2014
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 16	Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16	January 01, 2016

		Effective date (annual periods beginning on or after)
IAS 19	Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	July 01, 2014
IAS 24	Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)	July 01, 2014
IAS 27	Separate Financial Statements - Amendments for investment entities	January 01, 2014
IAS 32	Financial Instruments - Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014
IAS 36	Impairment of Assets - Amendments arising from recoverable amount disclosures for non financial assets	January 01, 2014
IAS 38	Intangible Assets - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 38	Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2016
IAS 39	Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives	January 01, 2014
IAS 39	Financial Instruments: Recognition and Measurement: Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	January 01, 2018
IAS 41	Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016
IAS 40	Investment Property - Amendments resulting from Annual Improvements 2011-2013 Cycle (interrelationship between IFRS 3 and IAS 40)	July 01, 2014

3.4 Standards or interpretations not yet effective

The following International Financial Reporting Standards or interpretations issued by IASB would be effective from the dates mentioned below against the respective standard or interpretation:

		Effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments	January 01, 2018
IFRS 14	Regulatory Deferral Accounts	January 01, 2016
IFRS 15	Revenue from Contracts with Customers	January 01, 2017
IFRIC 21	Levies	January 01, 2014

The Fund expects that the adoption of the above amendments and interpretations of the standards will not have any material impact and therefore will not affect the Fund's financial statements in the period of initial application.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below:

4.1 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and those investments which are readily convertible to known amount of cash subject to an insignificant risk of significant change of values and have maturities of less than three months from the date of acquisition.

4.2 Investments

4.2.1 All investments are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the investment, except in case of held for trading investments, in which case the transaction costs are charged to the income statement.

4.2.2 The Fund classifies its investments in the following categories:

a) Financial assets at fair value through profit or loss - Held for trading

Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.

After initial recognition, above investments are re-measured at fair value determined with reference to the period-end quoted rates. Gains or losses on re-measurement of these investments are recognised in income statement.

b) Available for sale

Investments which do not fall under the above categories and which may be sold in response to the need for liquidity or changes in market rates are classified as available-for-sale. After initial recognition, investments classified as available-for-sale are re-measured at fair value, determined with reference to the year-end quoted rates. Gains or losses on re-measurement of these investments are recognised in the unit holders' funds through statement of comprehensive income until the investment is sold, collected or otherwise disposed-off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in unit holders' funds is included in income.

4.2.3 Basis of valuation of investments

Fair value of the investments in listed equity securities are determined on the basis of quoted market prices available at the Karachi Stock Exchange.

Fair value of the investments in Federal Government securities comprising Treasury Bills is determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page.

4.2.4 All regular way of purchases and sales of investments are recognised on the trade date i.e. the date the Fund commits to purchase / sell the investments.

4.2.5 Income accrued on treasury bills are included in the carrying value of investments.

4.3 Formation cost

This represents expenses incurred on the formation of the Fund. As permitted in the Non-Banking Finance Companies and Notified Entities Regulations, 2008, these expenses are being amortised to the income statement over a period of not less than five years effective from November 14, 2009.

4.4 Other assets

Other assets are stated at cost less impairment losses, if any.

4.5 Accrued expenses and other liabilities

All expenses including management fee and trustee fee are recognised in the income statement on an accrual basis.

4.6 Unit holders' fund

Unit holders' fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

4.7 Net asset value per unit

The net assets value per unit disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue.

4.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Fund, applicable for the subscription day on which fund(s) have been realised in the bank account. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load (if any).

Units redeemed are recorded at the redemption price, applicable to the units for which the Fund receives redemption applications during subscription hours of that business day. The redemption price represents the net asset value per unit as of the close of the business day plus the allowable purchase load (if any).

4.9 Revenue recognition

- Dividend income on equity securities is recognised when the right to receive dividend is established.
- Gains or losses on sale of securities and unrealised gains or losses arising on revaluation of securities classified as 'financial assets at fair value through profit or loss - held for trading' are included in the income statement in the period in which they arise.
- Income from investment in treasury bills are recognised at rate of return implicit in the instrument on a time proportionate basis.

- Element of income / (loss) and capital gains / (losses) included in prices of units issued and redeemed is included in the income on the date of the issuance and redemption of units.
- Mark-up on bank balances is recognised on an accrual basis.

4.10 Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed

To prevent the dilution of per unit income and distribution of income already paid out on redemption, as dividend, an equalisation account called "element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed" is created.

The "element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed" account is credited with the amount representing net income and capital gains accounted for in the last announced net assets value and included in the sale proceeds of units. Upon redemption of units, the element of income included in prices of units sold less those in units redeemed account is debited with the amount representing net income and capital gains accounted for in the last announced net assets value and included in the redemption price.

The net "element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed" during an accounting year is recognised in the income statement.

4.11 Taxation

The Fund is exempt from taxation on income under clause 99 of Part I to the Second Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its income excluding realised and unrealised capital gain for the year is distributed amongst the unit holders.

4.12 Financial instruments

All the financial assets and liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial asset and financial liabilities is taken to income directly.

4.13 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amount and the Fund intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4.14 Impairment loss

The carrying amounts of the Fund's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of such asset is estimated and impairment losses are recognised in the income statement.

4.15 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired, have been realised or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

4.16 Provisions

A provision is recognised in the balance sheet when the Fund has a present legal or constructive obligation as result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

	Note	2014	2013
		(Rupees)	
5. BANK BALANCES			
PLS savings accounts	5.1	<u>130,138,359</u>	<u>27,080,634</u>
5.1	These carry mark-up at rates ranging from 7.00% to 11.83% (June 30, 2013: 6.00% to 9.25%) per annum.		
6. INVESTMENTS - financial assets at fair value through profit or loss - held for trading			
Listed equity securities	6.1	<u>792,211,694</u>	92,817,993
Government securities	6.2	<u>89,103,960</u>	-
		<u>881,315,654</u>	<u>92,817,993</u>

6.1 Listed equity securities

Unless otherwise stated, the holdings in ordinary shares are of Rs. 10 each

Name of investee company	Number of shares					Balance as at June 30, 2014				Market value as a percentage of net assets	Market value as a percentage of the paid-up capital of the investee company	
	As at July 01, 2013	Purchased during the year	Bones /right shares	Disposed during the year	As at June 30, 2014	Carrying value	Market value	Appreciation / (depreciation)	Rupees			
									Market value as a percentage of net assets			Market value as a percentage of the paid-up capital of the investee company
Chemicals												
Engro Corporation Limited	55,000	419,700	-	97,500	377,200	70,078,711	67,333,972	(2,744,739)	7.02	7.64	1.30	
Engro Fertilisers Limited	285,000	285,000	21,000	306,000	-	-	-	-	-	-	-	
Sumitomo Chemical Company Limited	40,000	40,000	-	40,000	-	-	-	-	0.08	0.74	0.03	
FCI Chemical Industries Limited	60,000	107,700	-	70,900	225,000	6,525,000	6,525,000	-	-	-	-	
	345,000	1,852,400	21,000	318,500	107,700	28,631,264	31,933,050	3,301,786	3.33	3.62	14.90	
						105,732,022	105,732,022	557,047	11.02	12.00	-	
Oil and Gas												
Mirani Gas Company Limited	188,000	-	-	60,000	123,000	44,230,052	45,931,890	1,701,838	4.79	5.21	5.00	
Oil and Gas Development Company Limited	10,000	315,200	-	24,000	300,800	80,756,789	78,933,024	(2,163,765)	8.19	8.92	0.18	
Pakistan Oilfields Limited	18,000	68,000	-	49,000	37,000	19,006,880	21,849,100	2,842,220	2.21	2.41	0.90	
Pakistan Petroleum Limited	40,000	300,000	6,000	254,000	27,000	67,831,900	67,831,900	-	6.58	7.42	1.23	
Pakistan State Oil Company Limited	300,000	14,800	14,800	237,800	62,500	62,804,363	62,804,363	-	6.05	6.58	2.34	
	68,000	1,303,800	23,300	468,800	926,900	272,338,840	277,572,920	5,419,080	28.94	31.51	2.58	
Construction and Materials												
Piret Cement Company Limited	55,000	28,000	-	78,500	-	-	-	-	-	-	-	
District Development Authority Limited	72,000	1,026,500	-	150,000	773,500	69,136,541	68,037,960	(1,398,481)	7.09	7.72	1.55	
Fauji Cement Company Limited	150,000	-	-	150,000	-	-	-	-	-	-	-	
Fecto Cement Limited	54,000	274,000	-	64,000	264,000	13,800,871	13,200,000	(604,871)	1.38	1.50	2.63	
Kohat Cement Company Limited	30,000	300,000	-	270,000	365,000	38,943,454	46,654,300	7,710,846	4.86	5.29	3.02	
Maple Leaf Cement Factory Limited	30,500	388,000	12,000	231,000	365,000	-	-	-	-	-	-	
Pioneer Cement Company Limited	-	291,500	-	291,500	-	-	-	-	-	-	-	
	292,000	2,783,000	12,000	1,884,500	1,402,500	121,184,867	127,891,360	5,706,493	13.33	14.51	-	
Personal Goods												
Nishat Mills Limited	50,000	317,000	-	367,000	-	-	-	-	-	-	-	
Nishat Chunian Limited	-	425,000	-	425,000	-	-	-	-	-	-	-	
Nett Corporation Limited (PTCo)	80,000	-	-	80,000	-	-	-	-	-	-	-	
Salt Refinery Mills Limited	130,000	1,023,000	-	1,153,000	-	-	-	-	-	-	-	
	100,000	619,000	-	1,690,000	545,000	34,322,332	32,013,300	(2,309,032)	3.34	3.63	0.28	
The Lipo Power Company Limited	400,000	400,000	-	400,000	-	-	-	-	-	-	-	
Nishat Chunian Power Limited	-	760,500	-	760,500	-	-	-	-	-	-	-	
	100,000	1,810,500	-	1,810,500	545,000	34,322,332	32,013,300	(2,309,032)	3.34	3.63	-	
Banks												
Alfalah Bank Limited	61,700	138,000	10,950	202,650	-	-	-	-	-	-	-	
Bank Alfalah Limited	225,000	1,489,000	-	70,000	1,644,000	43,805,920	45,710,000	1,904,080	4.71	5.13	0.34	
Bank Al-Habib Limited	142,000	423,500	22,500	513,000	18,857,910	23,074,740	4,216,830	2.40	2.62	0.21		
Hayat Bank Limited	-	2,150,000	-	2,150,000	-	-	-	-	-	-	-	
Meezan Bank Limited	-	131,500	-	131,500	-	-	-	-	-	-	-	
MCB Bank Limited	-	177,700	7,150	184,850	400,000	88,252,920	93,979,000	5,726,080	3.07	3.30	0.13	
United Bank Limited	428,700	661,000	-	390,500	674,000	62,406,701	65,889,104	3,482,403	6.87	7.48	0.54	
	79,000	14,600	1,000	23,500	-	-	-	-	-	-	-	
Murree Brewery Company Limited	7,900	20,550	350	20,200	17,247,691	18,180,000	932,309	1.89	2.06	25.04		
Shree International Limited	7,900	35,150	1,000	23,850	20,200	17,247,691	18,180,000	932,309	1.89	2.06	-	
Pharma & Bio Tech												
Abbott Laboratories Pakistan Limited	-	18,000	-	18,000	-	-	-	-	-	-	-	
Ferozon Laboratories Limited	-	108,100	-	108,100	23,960,737	24,913,407	953,070	2.60	2.83	8.25		
Highnoon Laboratories Limited	-	255,000	-	255,000	39,600	1,078,935	1,088,199	9,264	4.36	4.92	9.28	
	-	255,000	-	18,000	207,000	41,028,223	42,023,351	995,128	4.58	4.93	-	
Total - June 30, 2014	1,371,600	13,637,750	98,530	6,641,250	8,641,630	769,688,828	792,111,694	22,522,866	83	90	-	
Total - June 30, 2013	1,325,742	4,440,588	109,401	5,106,111	1,371,600	81,081,000	92,817,993	11,736,993	77	100	-	

6.1.1 Investments include shares with market value aggregating to Rs. 39.4631 million (June 30, 2013: Rs. 6.6553 million) that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of Fund's trades.

6.2 Government securities

	Number of treasury bills				Balance as at June 30, 2014			Market value as a percentage of net assets of the fund	Market value as a percentage of total investments	
	Number of holdings at the beginning of the period	Acquired during the year	Disposed/ matured during the year	Number of holdings at the end of the period	Carrying value	Market value	Unrealized diminution			
										Rupees
Treasury Bills - 3 months (face value of Rs. 100,000 each)	6.2.1	-	4,030	3,130	900	89,106,035	89,103,960	(2,075)	9.28	10.11
Total - June 30, 2014						89,106,035	89,103,960	(2,075)	9.28	10.11
Total - June 30, 2013						-	-	-	-	-
Total investments - June 30, 2014						858,794,862	881,315,654	22,520,792	92	100
Total investments - June 30, 2013						81,081,060	92,817,993	11,736,933	77	100

6.2.1 These represent 3 months Government Treasury Bills carrying an effective yield of 9.92% (June 30, 2013: nil) per annum and will be maturing on August 7, 2014. The face value of Treasury Bills held as at June 30, 2014 amounted to Rs. 90 million (June 30, 2013: nil).

	Note	2014	2013
		(Rupees)	
7. DIVIDEND AND OTHER RECEIVABLES			
Unsecured - considered good			
Dividend receivable		1,838,550	-
Mark-up income accrued on PLS savings accounts		508,493	185,565
Others		502	287
		<u>2,347,545</u>	<u>185,852</u>
8. SECURITY DEPOSIT			
Security deposit			
National Clearing Company of Pakistan Limited		2,550,000	2,550,000
Central Depository Company of Pakistan Limited		100,000	100,000
Advances	8.1	5,125,000	-
		<u>7,775,000</u>	<u>2,650,000</u>
8.1 This represents amount paid for subscription in ordinary shares of Pakistan Petroleum Limited through book building process.			
9. DEFERRED FORMATION COST			
Unamortised cost	9.1	370,601	640,601
Amortised to the income statement during the year		(270,000)	(270,000)
Closing balance		<u>100,601</u>	<u>370,601</u>
9.1 This represents expenses incurred on the formation of the Fund. Regulation 60 (2) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 requires that all expenses incurred in connection with the incorporation, establishment and registration of collective investment scheme (formation cost) shall be reimbursable by a collective investment scheme to an asset management company subject to the audit of expenses. The said formation cost shall be amortised by the collective investment scheme over a period of not less than five years or within the maturity date of collective investment scheme. Accordingly the said expenses are being amortised over a period of five years effective from November 14, 2009, i.e. after the close of initial period of the Fund.			

		2014	2013
	Note	(Rupees)	
10. PAYABLE TO MANAGEMENT COMPANY			
Remuneration to the Management Company	10.1	2,191,966	369,769
Sales tax payable on remuneration to the Management Company	10.2	688,722	62,003
Federal excise duty payable on remuneration to the Management Company	10.3	2,112,556	17,762
Sales load payable		6,894	6,894
		5,000,138	456,428

10.1 The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, of an amount not exceeding three percent per annum of the average daily net assets of the Fund during first five years of the Fund's existence and thereafter an amount equal to two percent per annum of such assets of the Fund. Currently, the Management Fee is charged at the rate of 3% of the average daily net assets of the Fund.

10.2 The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2011.

10.3 The Finance Act, 2013 has enlarged the scope of Federal Excise Duty (FED) on Financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund are already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company is of the view that further levy of FED is not justified.

On September 04, 2013, a constitutional Petition has been filed in Honourable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustee, challenging the levy of FED. In this respect the Honourable SHC has issued a stay order against recovery proceedings. The hearing of the petition is in progress.

In view of the pending decision, as a matter of abundant caution, the Management Company of the Fund has made a provision for FED in the books of account of the Fund with effect from June 13, 2013, aggregating to Rs. 2.112 million (June 30, 2013: Rs. 0.018 million).

		2014	2013
	Note	(Rupees)	
11. PAYABLE TO THE TRUSTEE			
Remuneration to the Trustee	11.1	146,135	57,536
CDC settlement charges		17,024	1,882
		163,159	59,418

11.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provision of Trust Deed.

Net assets up to Rs. 1 billion

Rs. 0.7 million or 0.20% per annum of the average annual net assets of the Fund, which ever is higher.

Net assets exceeding Rs. 1 billion

Rs. 2 million plus 0.10% per annum of the average annual net assets of the Fund exceeding Rs. 1 billion.

The remuneration is paid to the Trustee monthly in arrears.

12. ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with Regulation 62 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, whereby the Fund is required to pay annual fee to SECP at the rate of 0.095% of the average annual net assets of the Fund.

	Note	2014 (Rupees)	2013
13. ACCRUED AND OTHER LIABILITIES			
Auditors' remuneration		208,000	211,500
Brokerage and settlement charges		575,752	17,746
Workers' Welfare Fund	13.1	7,810,465	1,429,355
Others		20,800	36,000
		<u>8,615,017</u>	<u>1,694,601</u>

13.1 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971(WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

During the year 2011, a single bench of the Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. However, in the month of March 2013, a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity and overruled a single-member LHC bench judgment issued in August 2011. However, the Honorable Peshawar High Court on May 29, 2014 on a petition filed by certain aggrieved parties (other than the mutual funds) has adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution.

However, as per the advice of legal counsel of MUFAP, the stay granted to CIS (as mentioned in the first paragraph) remains intact and the constitution petitions filed by the CIS to challenge the Workers Welfare Fund contribution have not been affected by the SHC judgment.

As the matter relating to levy of WWF is currently pending in the Court, the Management Company, as a matter of prudence and abundant caution, has decided to make provision for WWF amounting to Rs. 7.810 million up to June 30, 2014.

Had the above recognition not been made, the net assets value per unit of the Fund would be higher by Re. 0.86 per unit.

14. CONTINGENCIES AND COMMITMENTS

There are no other contingencies and commitments as at June 30, 2014.

15. NUMBER OF UNITS IN ISSUE

	2014	2013
	(Units)	
Total units in issue at the beginning of the year	852,430	1,299,300
Sales during the year	6,391,713	226,508
Redemption during the year	(983,974)	(816,404)
Issuance of bonus units	2,841,684	143,026
Total units in issue at the end of the year	<u>9,101,853</u>	<u>852,430</u>

16. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unit holders. Since the management has distributed the income earned by the Fund during the year to the unit holders in the manner explained above and therefore no provision for taxation has been made in these financial statements.

During the year, FBR has issued show cause notices to the Fund under section 122(9) for proceeding u/s 122(5A) of the Income Tax Ordinance, 2001 for amendment of assessment on grounds that exemption from tax claimed under clause 99 of Part-I of the Second Schedule is not as per law. Total tax including Workers' Welfare Fund payable as per amended assessment would be Rs. 4.844 million and Rs 12.343 million for the tax years 2012 and 2013 respectively. Trustee of the Fund has filed a suit in the High Court of Sindh for declaration and permanent injunction for which a stay order has been granted by Sindh High Court. The management expects a favorable outcome and, accordingly, no provision has been recorded in respect of this matter.

17. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

Related parties include Lakson Investments Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the Trustee, SIZA Services (Private) Limited being the holding company of the Management Company, associated companies of the Management Company, key management personnel, other funds being managed by the Management Company and entities having holding more than 10% in the units of the Funds as at June 30, 2014.

Transactions and balances with related parties other than those disclosed elsewhere are as follows:

17.1	Balance as at year ended	2014	2013
		(Rupees)	
Lakson Investments Limited - Management Company of the Fund			
	Remuneration payable	2,191,966	369,769
	Sales load Payable	6,894	6,894
	Units held as at the year end 500,697 (June 30, 2013: 757,791) units	52,795,233	107,197,815
Central Depository Company of Pakistan Limited - Trustee of the Fund			
	Remuneration payable	146,135	57,536
	Settlement charges payable	17,024	1,882
	Security deposit	100,000	100,000
Directors, Chief Executive, their Spouses and Minor Children			
	Units held as at the year end 7,594 (June 30, 2013: 2,233) units	800,740	315,936
Associated Companies / Undertakings of the Management Company			
SIZA (Private) Limited			
	Units held as at the year end 3,841,591 (June 30, 2013: 64,882) units	405,070,421	9,178,303
Century Insurance Company Limited			
	Units held as at the year-end 3,297,712 (June 30, 2013: nil) units	347,721,968	-
Others - Connected Person due to holding more than 10% outstanding units			
	Bank deposits	76,477,182	26,721,034
	Profit receivable	231,326	185,565
	Units held as at the year end 997,398 (June 30, 2013: nil) units	105,169,047	-
17.2	Transactions related to units of the Fund		
Lakson Investments Limited - Management Company of the Fund			
	Remuneration for the year	17,617,227	5,093,204
	Sales load for the year	6,894	6,894
	Issue of bonus units: 326,872 (2013: 75,145) units	35,969,992	-
	Redemption of units: 583,966 (2013: nil) units	85,000,000	-
Central Depository Company of Pakistan Limited- Trustee of the Fund			
	Remuneration for the period	1,113,043	700,000
	Settlement charges	78,878	25,223

	2014	2013
	(Rupees)	
Directors, Chief Executive, their spouses and minor children		
Issue of units: 2,643(2013: nil) units	<u>340,000</u>	<u>-</u>
Issue of bonus units: 2,718 (2013: 221) units	<u>289,005</u>	<u>22,375</u>
Key Management Personnel, Employees and Connected Persons of the Management Company		
Issue of units: Nil (2013: 236) units	<u>-</u>	<u>27,500</u>
Issue of bonus units: Nil (2013: 552) units	<u>-</u>	<u>77,081</u>
Redemption of units: Nil (2013: 31) units	<u>-</u>	<u>3,161</u>
Associated Companies / Undertakings of the Management Company		
SIZA (Private) Limited		
Issue of units: 2,647,122 (2013: nil) units	<u>380,000,000</u>	<u>-</u>
Issue of bonus units: 1,194,469 (2013: 64,882) units	<u>124,730,536</u>	<u>6,555,159</u>
Redemption of units: 64,882 (2013: 589,413) units	<u>8,243,525</u>	<u>83,640,086</u>
Century Insurance Company Limited		
Issue of units: 2,285,076 (2013: nil) units	<u>331,674,468</u>	<u>-</u>
Issue of bonus units: 1,012,636 (2013: nil) units	<u>105,606,389</u>	<u>-</u>
Others - Connected Person due to holding more than 10% outstanding units		
Profit on bank deposits	<u>2,438,376</u>	<u>1,027,116</u>
Bank charges	<u>7,180</u>	<u>3,940</u>
Issue of units: 1,167,332 (2013: nil) units	<u>150,000,000</u>	<u>-</u>
Issue of bonus units: 160,020 (2013:nil) units	<u>16,688,291</u>	<u>-</u>
Redemption of units: 329,954 (2013: nil) units	<u>50,000,000</u>	<u>-</u>

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Fund has exposure to following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

Risk management framework

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP.

These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund.

The Fund maintains positions in a variety of financial instruments in accordance with its investments management strategy and the guidelines given by the SECP. The Fund primarily invests in a portfolio of listed equity securities. The Fund may also invest in cash and treasury bills not exceeding 90 days maturity (subject to above guidelines, etc). Such investments are subject to varying degrees of risk.

The management of these risks is carried out by the Investment Committee (IC) under the policies and procedures approved by the Board. IC is constituted by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with the limits prescribed and restrictions imposed in the Non-Banking Finance Companies and Notified Entities Regulations, 2008, Rules, and Constitutive Documents of the Fund in addition to the Fund's internal risk management policies.

18.1 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issue or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Management of market risks

The Management Company manages market risk by monitoring exposure in marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan (SECP). The maximum risk resulting from financial instruments equals their fair values.

Market risk comprised of three types of risk: currency risk, interest rate risk and other price risk (equity price risk).

18.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk as all transactions are carried out in Pak Rupees.

18.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Currently the Funds interest rate exposure arises on investment in Government Securities and bank balances and all of the Fund's investments carry fixed interest rates. The Management Company monitors the interest rate environment on a regular basis and may change the mix of its portfolio to enhance the earning potential of the Fund subject to defined guidelines, etc. Other risk management procedures are the same as those mentioned in the credit risk management.

18.1.2.1 Details of the interest rate profile of the Fund's interest bearing financial assets are as follows:

	2014	2013
	(Rupees)	
Fixed rate instruments		
Investment in Government securities	89,103,960	-
Bank balance	130,138,359	27,080,634
	<u>219,242,319</u>	<u>27,080,634</u>

None of the financial liabilities carry any interest rate. In addition, none of the financial assets bear variable interest rate.

18.1.2.2 Fair value sensitivity analysis for fixed rate instruments:

Interest bearing Government Securities are held by the Fund at fair value through profit and loss account (held for trading) exposes the Fund to the fair value risk. In case of 100 basis points decrease / increase in yield rates of the above Government Securities as on June 30, the net assets of the Fund would have been higher / lower by Rs. 0.089 (2013: nil) million with consequential effect on net income for the year.

Other balances are not carried at fair value through profit and loss. Therefore a change in interest rate at the reporting date would not effect the income statement and unit holder's fund.

18.1.2.3 A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date is as follows:

		June 30, 2014		
		Exposed to interest rate risk		
		Total	Up to three Months	Not exposed to interest rate risk
On balance sheet financial instruments	Interest rate %	----- (Rupees) -----		
Financial assets				
Bank balances	7.00 to 11.83	130,138,359	130,138,359	-
Investments	9.92	881,315,654	89,103,960	792,211,694
Dividend and other receivables		2,347,545	-	2,347,545
Security deposits		7,775,000	-	7,775,000
		<u>1,021,576,558</u>	<u>219,242,319</u>	<u>802,334,239</u>

		June 30, 2013		
		Exposed to interest rate risk		
		Total	Up to three Months	Not exposed to interest rate risk
On balance sheet financial instruments	Interest rate %	----- (Rupees) -----		
Financial assets				
Bank balances	6.00 to 9.25	27,080,634	27,080,634	-
Investments		92,817,993	-	92,817,993
Dividend and other receivables		185,852	-	185,852
Security deposits		2,650,000	-	2,650,000
		<u>122,734,479</u>	<u>27,080,634</u>	<u>95,653,845</u>

None of the financial liabilities carry any interest rate.

18.1.3 Price risk

The Fund is exposed to equity price risk because of investments held by the Fund and classified on the statement of assets and liabilities as financial assets at fair value through profit or loss - held for trading. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Constitutive Documents. The Fund's Constitutive Documents / NBFC Regulations also limit individual equity securities to no more than ten percent of net assets or the index weight of the security subject to the limit of fifteen percent, whichever is higher, or issued capital of investee company and sector exposure limit to thirty percent or index weight whichever is higher, subject to maximum of thirty five percent.

In case of five percent increase / decrease in the prices of all shares held by Fund at the year end, net income for the year would increase / decrease by Rs. 39.611 (2013: Rs. 6.257) million and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

18.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. Credit risk arises from deposits with banks and financial institutions, and credit exposure arising as a result of dividends receivable on equity securities.

Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of NBFC rules and regulations.

For banks and financial institutions, only reputed institutions are accepted. Credit risk on dividend receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the central clearing company. The risk of default is considered minimal due to inherent systematic measures taken therein.

Exposure to credit risk

The maximum exposure to credit risk at June 30, 2014 is the carrying amount of the financial assets. None of these assets are impaired nor past due.

Concentration on credit risk

Concentration on credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

18.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive documents and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in listed equity securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate

quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements. The present settlement system for listed equity securities is a T+2 system, which means that proceeds from sales (to pay off redemptions) of holdings will be received on the second day after the sale, while redemptions have to be paid within a period of six business days from the date of the redemption request.

The Fund has ability to borrow, with prior approval of trustee, for meeting redemptions. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings have arisen during the year.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. However, during the year no such option was exercised or considered necessary.

Maturity analysis for financial liabilities

The table below analyses the Fund's liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

-----June 30, 2014-----				
Financial liabilities	Carrying amount	Less than 1 month	More than 1 month and upto one year	Total
------(Rupees)-----				
Payable to the Management Company	5,000,138	5,000,138	-	5,000,138
Payable to the Trustee	163,159	163,159	-	163,159
Annual fee payable to Securities and Exchange Commission of Pakistan	414,595	-	414,595	414,595
Payable against purchase of investments	47,753,137	47,753,137	-	47,753,137
Accrued expenses and other liabilities	804,552	575,752	228,800	804,552
	<u>54,135,581</u>	<u>53,492,186</u>	<u>643,395</u>	<u>54,135,581</u>

-----June 30, 2013-----				
Financial liabilities	Carrying amount	Less than 1 month	More than 1 month and upto one year	Total
------(Rupees)-----				
Payable to the Management Company	456,428	456,428	-	456,428
Payable to the Trustee	59,418	59,418	-	59,418
Annual fee payable to Securities and Exchange Commission of Pakistan	161,284	161,284	-	161,284
Payable against redemption of units	489,588	489,588	-	489,588
Accrued expenses and other liabilities	265,246	265,246	-	265,246
	<u>1,431,964</u>	<u>1,431,964</u>	<u>-</u>	<u>1,431,964</u>

18.4 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

18.5 Unit Holder's Fund risk management

Management's objective when managing unit holders' funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders and to ensure reasonable safety of unit holders' funds.

The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The capital structure depends on the issuance and redemption of units and with effect from July 1, 2012, the Fund is subject to maintain minimum fund size of Rs. 100 million at all times.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund's accounting policy on fair value measurements of the investments is discussed in note 4.2 to these financial statements.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at June 30, 2014 the investments were categorised as below:

	June 30, 2014			Total
	Level 1	Level 2	Level 3	
	----- (Rupees) -----			
Investments	792,211,694	89,103,960	-	881,315,654

	June 30, 2013			Total
	Level 1	Level 2	Level 3	
	----- (Rupees) -----			
Investments	92,817,993	-	-	92,817,993

20. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern, top brokers, members of the Investment Committee, Fund Manager, meetings of the Board of Directors of the Management Company and rating of the Fund and the Management Company are as follows:

20.1 Pattern of unit holding

Category	June 30, 2014		
	No. of Unit Holders	Investment Amount (Rupees)	% of Total
Individuals	6	31,803,830	3.31%
Associated companies and Directors	3	753,593,786	78.52%
Banks and DFIs	1	105,169,138	10.96%
NBFCs	1	52,795,279	5.50%
Retirement funds	-	-	-
Public limited companies	2	16,369,080	1.71%
Insurance companies	-	-	-
Others	-	-	-
	13	959,731,113	100.00%

Category	June 30, 2013		
	No. of Unit Holders	Investment Amount (Rupees)	% of Total
Individuals	8	1,097,365	0.91%
Associated companies and Directors	3	116,692,069	96.77%
Banks and DFIs	-	-	-
NBFCs	-	-	-
Retirement funds	-	-	-
Public limited companies	1	2,796,064	2.32%
Insurance companies	-	-	-
Others	-	-	-
	12	120,585,498	100.00%

20.2 Top ten brokers by percentage of commission paid

Broker Name	(Percentage)	
	2014	2013
Habib Metro Financial Services Limited	13.72%	7.86%
Arif Habib Limited	9.31%	7.32%
Invest & Finance Securities Limited	9.00%	7.27%
Elixir Securities Pakistan Limited	8.70%	7.24%
KASB Securities Limited	8.29%	7.24%
Al-Habib Securities Limited	8.05%	7.22%
AKD Securities	7.86%	7.12%
Topline Securities Limited	7.71%	7.12%
Jan Mohammad Nini A. Latif	7.61%	7.11%
NAEL Capital Limited	7.33%	7.03%

20.3 Particulars of the Investment Committee and Fund manager

Following are the members of the investment committee of the Fund:

- Mr. Babar Ali Lakhani
- Mr. Khurram Shahzad
- Syed Muhammad Zeeshan
- Mr. Mustafa O. Pasha
- Mr. Saifullah Kazmi
- Mr. Farhan Bashir
- Syed Imran Raza Kazmi
- Ms. Maryam Hidayatallah

Mr. Babar Ali Lakhani - Chief Executive

Mr. Lakhani has over 14 years of investment and portfolio management experience in domestic and international equity and fixed income markets. Mr. Lakhani most recently served as the Chief Investment Officer of Century Insurance, a Public Limited Company listed on the Karachi and Lahore Stock Exchanges. He was an Investment Associate at High Street Advisors and a Research Analyst at Credit Suisse Equity Group (formerly Credit Suisse First Boston). Mr. Lakhani brings extensive investment experience, globally practiced portfolio management discipline, and a comprehensive understanding of the global asset management industry to Lakson Investments Limited.

Mr. Lakhani received his BA in Finance from Bentley College, and his MBA from Brandeis University. He is the chairman of Tritex Cotton Mills Limited, a board member of the Mutual Fund Association of Pakistan (MUFAP), a member of the GARP (Global Association of Risk Professionals), the Society of Financial Service Professionals and the Young President's Organization (YPO). Mr. Lakhani is a member of the Alumni Trustee Committee of Brandeis University and is the school's representative in Pakistan.

Mr Khurram Schehzad - Chief Investment Officer

Mr. Schehzad has been associated with the financial markets since 2005, serving in the capacity of Investment Research, Corporate Finance Advisory and Discretionary / Non-Discretionary Funds Advisory & Management. Before joining LI, he previously served as Vice President at Arif Habib Group, overseeing equity brokerage as well as group research (local & foreign), extending coverage from equities to commodities, real estate, manufacturing (cements, fertilizers, steel, energy and dairies) in direct coordination with the group chair. Prior to Arif Habib Group, Khurram held the position as Head of Research for Invest Capital Markets Limited, alongside managing a discretionary / non-discretionary portfolio of Equities / Fixed Income for institutional clients. He has recently been appointed by the Government of Pakistan as the youngest Member of the Board of the Privatization Commission of

Pakistan (PC), for the purpose of restructuring / overhauling / turnaround / privatization of the state-owned entities (SOEs).

Mr. Schehzad is also one of the youngest Executive Committee Members of the Federal Board of Investment (BoI), striving for a valuable contribution to country's overall investment policy making. Mr. Schehzad was consistently ranked as one of the Top Analysts in Pakistan (ranked by CFA Pakistan) for 2008-09, 2009-10 and 2011-12, based on quality research, spot-on accuracy, client service quality and investment value creation. He also received extensive credits by the ASIA MONEY for valuable research in relation to the Best Debt House 2010 award given by the ranking journal to the company.

Mr. Schehzad is an MBA in Finance with distinction of 'Gold Medalist' (Summa cum Laude), and is a finalist for the CFA Charter-holder professional certification while he plans for PhD in Financial Economics.

Syed Muhammad Zeeshan - Chief Financial Officer and Company Secretary

Mr. Zeeshan currently holds positions of Chief Financial Officer (CFO) and Company Secretary in Lakson Investments Limited. He is a qualified Cost and Management Accountant (ACMA) from Institute of Cost and Management Accountants of Pakistan (ICMAP) and is also CA (Finalist) from the Institute of Chartered Accountants of Pakistan (ICAP).

Prior to joining Lakson Investments Limited, he has also worked as Chief Financial Officer / Company Secretary at IGI Funds Limited (subsequently merged in Alfalah GHP Investment Management Limited in October 2013). He has also worked at various senior positions at UBL Fund Managers Limited and National Investment Trust Limited. His total professional experience in mutual fund industry is more than thirteen years. In addition to this, he was also associated with M/s Ernst & Young Ford, Rhodes, Sidat Hyder & Co. Chartered Accountants, for more than four years as audit supervisor conducting audits of various commercial banks, insurance, FMCGs and other MNC corporations.

Mr. Mustafa O. Pasha

Mr. Mustafa O. Pasha has six years experience in the asset management and investment advisory industry. He was previously associated with BMA Funds where he initially served as a fixed income analyst and later became the in house economist for the entire BMA group. Between 2009 - 2012 he supervised Rs. 7.25 bn in fixed income/money market investments across all mutual funds and institutional/HNW accounts advised by BMA. As a fund manager he was responsible for formulating the investment outlook, implementing strategy through portfolio construction, asset allocation, analyzing credit/interest rate risk and generating out performance against contracted benchmarks. At Lakson Investments he manages the domestic fixed income and money markets funds and is a member of the Investment Committee.

Mr. Pasha did his Bachelors in Economics from McGill University (Montreal, Canada) in 2006 and qualified as a CFA charter holder in 2012.

Mr. Saifullah Kazmi – Fund Manager

Mr Kazmi has 08 years experience of management portfolios for various companies. He started his career in 2006 with Faysal Bank Limited, as Equity Dealer for the bank's Treasury. He progressed onto managing Equity and Fixed income funds at IGI Funds Limited in 2008, which merged into Alfalah GHP Investment Management Limited in 2013. During his tenure, he was responsible for strategy creation and portfolio management of mutual funds and specially maintained accounts for HNWs. Mr Kazmi joined Lakson Investments Limited in mid 2014, fulfilling the need for a seasoned equity fund manager for the various portfolios.

Mr. Kazmi has a BA (hons) in Business Management from Kingston Business School, Kingston University in Surrey, United Kingdom.

Mr. Farhan Bashir Khan - Deputy Head of Research

Mr. Farhan has 08 years of experience in financial and economic research. Before joining Lakson Investments Limited in June 2014, Mr. Farhan was associated with NIB Bank under its Treasury & Capital Markets Group, working as an economist for the bank while also managing the capital market desk. He was a member of Treasury's Investment Committee and a regular participant of bank's ALCO committee, providing research input on fixed income portfolio strategy. He was also shortly associated with Gul Ahmed Group, providing research and advisory services on group investments. During his career, he has worked as an analyst at various brokerage houses including IGI and Invest Capital.

Mr. Farhan has a MBA in Finance from Bahria University, Karachi and is currently pursuing CFA, having cleared level 1.

Syed Imran Raza Kazmi - Assistant Fund Manager

Mr. Imran Kazmi has over 7 years of Experience in Fixed Income Market. He was previously affiliated with Alfalah GHP Investment Management Limited as Assistant Manager – Fixed Income where he managed Income fund & Cash fund with the fund size of PKR 4.5 billion. He has also worked with IGI Finex Securities Ltd (Formerly; Finex Securities Ltd.) for 2.5 years as Money Market Dealer.

During his entire career, he attended different seminars and workshops organized by FMA to enhance market knowledge and to improve market skills. He is the Member of Financial Market Association of Pakistan.

Mr. Kazmi holds a MBA in Finance from PAF-Karachi Institute of Economics & Technology, Karachi.

Ms. Maryam Hidayatallah - Deputy Manager Risk and Compliance

Ms. Maryam Hidayatallah has over 18 months of experience in the asset management industry. Before joining Lakson Investments Limited she previously worked as Finance and Audit Executive at Ernst and Young Ford Rhodes Sidat Hyder and Co., Chartered Accountants at Karachi, Bahrain and UAE Offices in Business Risk Services and Audit and Assurance Business Services for 9 years which includes 4 years of articleship. During the given period, she has conducted audits, due diligence and risk and compliance assignments of various asset management companies, oil and gas companies, commercial banks and service sector entities.

Ms. Maryam is a Certified Associate Member of Institute for Internal Controls USA, Institute of Internal Auditors and Pakistan Institute of Public Finance Accountants and professional qualification include CA finalist from Institute of Chartered Accountants of Pakistan and MA (Economics) from University of Karachi.

Directors meeting attendance

Information in respect of attendance by Directors in the meeting is given below:

2014

Name of directors	Meeting Attended	July 8, 2013	August 30, 2013	October 28, 2013	February 11, 2014	April 25, 2014	June 25, 2014
Mr. Iqbal Ali Lakhani	5	X	✓	✓	✓	✓	✓
Mr. Babar Ali Lakhani	6	✓	✓	✓	✓	✓	✓
Mr. Amin Mohammed Lakhani	2	X	✓	✓	X	X	X
Mr. A. Aziz H. Ebrahim	5	✓	✓	✓	✓	✓	X
Mr. Mahomed J. Jaffer	6	✓	✓	✓	✓	✓	✓
Mr. Sher Afgan Malik	5	✓	✓	✓	✓	X	✓
Mr. Daniel Scott Smaller	6	✓	✓	✓	✓	✓	✓
Mr. Zahid Zakiuddin	3	X	✓	✓	✓	X	X
		5	8	8	7	5	5

21.6 Rating of the Fund and the Management Company

PACRA Rating	Management quality rating	Star ranking
Lakson Investments Limited (Management Company)	AM3+	-
Lakson Equity Fund	-	-
- Short Term Performance Ranking		3 - Star
- Long Term Performance Ranking		2 - Star

21. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on August 18, 2014 by the Board of Directors of the Management Company.

22. GENERAL

Figures have been rounded off to the nearest rupee.



**For Lakson Investments Limited
 (Management Company)**

Chief Executive Officer

Director

Performance Table

Performance Table	FY14	FY13	FY12	FY11	FY10	Distribution	PKR per Unit				
							FY14	FY13	FY12	FY11	FY10
Net Assets - Beginning (PKR Mil.)	121	146	134	128	136	Interim Distribution	46.2157	-	-	-	-
Net Assets - Ending (PKR Mil.)	960	121	146	134	128	Final Distribution	-	26.3075	11.1215	17.4453	-
Net Asset value per share	105.4434	141.4609	112.1531	119.6452	99.3374	NAV before Distribution	150.5043	141.4609	112.1531	119.6452	-
Selling Price for units	108.6067	145.7048	115.5177	123.2346	102.3176	NAV after Distribution	104.2886	115.1534	101.0316	102.1999	-
Repurchase Price for units	105.4434	141.4609	112.1531	119.6452	99.3374	Distribution Date	24-Jun-14	08-Jul-13	05-Jul-12	04-Jul-11	-
Highest Offer Price (PKR)	157.9072	150.1842	120.9177	127.5518	115.2487						
Lowest Offer Price (PKR)	107.1618	106.4191	95.1812	102.1798	99.7229						
Highest Redemption Price (PKR)	153.3079	145.8099	117.3958	123.8367	111.8919						
Lowest Redemption Price (PKR)	104.0405	103.3195	92.4089	99.2036	96.8183						
Beginning NAV - Ex-Div. (PKR)	115.1534	101.0316	102.1999	99.3374	100.0000						
Interim Distributions (PKR)	46.2157	-	-	-	-						
Final Distribution (PKR)	-	26.3075	11.1215	17.4453	-						
Ending NAV - Ex-Div. (PKR)	104.2886	115.1534	101.0316	102.1999	99.3374						
Return	32.15%	40.02%	9.74%	20.44%	-0.66%						
Net Income / (loss) (PKR Mil.)	312	34	13	23	(1)						
Total Distribution	298	15	19	-	-						
Accumulated Capital growth	49	35	16	22	-						
Average Annual return of the Fund											
One Year	32.15%	40.02%	9.74%	20.44%	-0.66%						
Two year	85.03%	26.79%	16.06%	12.07%	-						
Three year	103.05%	28.33%	11.90%	-	-						
Since inception (November 13, 2009)	142.93%	23.09%	11.90%	12.07%	-0.66%						

**For Lakson Investments Limited
(Management Company)**

Disclaimer

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

Chief Executive Officer

Director



A Lakson Group Company

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